

QUARTERLY REPORT



MOUNT GIBSON IRON LIMITED QUARTERLY REPORT FOR THE PERIOD ENDED 31 MARCH 2013 15 April 2013

HIGHLIGHTS: On track to achieve record annual sales target after strong March Quarter

- Cash and term deposits of **\$342 million** (\$0.31/share) at 31 March 2013, low debt
- Sales on track to meet full year guidance of record **8.0 - 8.5 million tonnes** of direct shipping ore (DSO) hematite
- Total March quarter shipments of **2.0 million tonnes** of iron ore, including 148,000t of mineralised waste (Rizhao Special Product, or RSP), second highest quarterly total on record
- Record nine month shipments of **6.4 million tonnes**, including 431,000t of RSP
- **22% increase** in average realised prices compared with preceding quarter
- Koolan Island expansion to 4 million tonnes per annum (Mtpa) confirmed as optimum mine development strategy
- Strong progress on permanent cost savings program with ~\$24 million in ongoing annual savings identified at Koolan Island alone
- Maiden mineral resource declared for T1 deposit at Tallering Peak
- Interim fully franked dividend of 2 cents per share declared, payable on 15 April 2013, bringing total dividends paid to **\$108 million** (fully franked) over the last 19 months

Comment

"Mount Gibson's continued strong operational performance in the March quarter enabled us to capture the benefits of higher prices while also making significant progress on key business enhancement initiatives. The strength of our business is reflected in solid operating cashflow generation and the payment of \$108 million in fully franked dividends over the last 19 months. Our strong cash backing, very low debt, robust operating performance and outlook highlight the clear value proposition that Mount Gibson represents," said Chief Executive Officer Jim Beyer.

"Completing the Koolan Island optimisation study has given us a clear pathway to generate maximum value from our portfolio of operations over the coming years. Similarly, delineation of a maiden resource for the T1 deposit gives us confidence we will be able to generate additional sales from Tallering Peak and extend the mine life well into the next financial year.

"We are also excited by the prospect of stepping up our exploration activity, notably in the area immediately to the south of our Extension Hill mine in the Mid West, which we feel has very strong potential to extend the life of our Extension Hill operation."

	June Qtr 2011-12	September Qtr 2012-13	December Qtr 2012-13	March Qtr 2012-13	YTD 2012-13
DSO product sales (kwmt)	1,158	1,759 [^]	2,385	1,852	5,996
Rizhao Special Product sales (kwmt)			283	148	431
Total Ore Sales (kwmt)	1,158	1,759	2,668	2,000	6,427
Ave. Platts 62%Fe CFR price (US\$/dmt)	141	113	122	148	131
MGX FOB Ave. realised fines price* (US\$/dmt)	117	110	96	117	108
[^] includes sales of 115kwmt of lower grade DSO from Tallering Peak in the September quarter of 2012. *MGX realised FOB fines price includes standard DSO fines product only, after adjustments for freight and grade. Contract pricing in the period was based on a mix of lagging-monthly and month-of-shipment averages. (kwmt) = thousand wet metric tonnes. (US\$/dmt) = USD per dry metric tonne.					

OPERATIONS

Mount Gibson achieved solid shipments of 2.0 million tonnes during the March quarter, the second highest level of quarterly shipments on record. Shipments included two cargoes of Rizhao Special Product (RSP) from Koolan Island. Shipments for the nine months to 31 March totalled a record 6.4 million tonnes, including six cargoes of RSP from Koolan Island totalling 431,000 tonnes.

Operating statistics, including production and shipping, for each of the sites are tabulated in Appendix A.

Mount Gibson remains on track to meet its full year sales guidance of 8.0 to 8.5 million tonnes of iron ore in FY2013.

Mount Gibson achieved an average realised fines price, excluding sales of RSP, of US\$117 per dry metric tonne Free on Board (FOB) during the March quarter. The March quarter average Platts CFR price (where the iron ore supplier pays freight costs) for 62% Fe fines delivered to China was US\$148/dmt.

Cash and term deposits were \$342 million as at 31 March 2013, compared with \$279 million at 31 December 2012. The quarter end total was after payment of corporate income tax instalments totalling \$21 million.

Koolan Island

On 18 March 2013, Mount Gibson confirmed expanding Koolan Island production to 4 million tonnes per annum as the most value-accretive strategy following completion of the Koolan Island optimisation study¹. The optimised mine plan delivers an improved mining profile and a clear outlook on annual mining rates and ore sales, with DSO ore production to be ramped up progressively to a maximum rate of 4 Mtpa by the end of calendar 2014.

The smoothing of the stripping profile significantly reduces the planned maximum waste:ore stripping ratio in any single year to approximately 8.3:1, compared to a maximum of 13:1 under the previous life of mine plan. The average strip ratio from the end of the March quarter to the end of the mine life remains approximately 4.5:1.

As a consequence of this decision to increase production levels to 4Mtpa, approximately \$15 million of waste stripping that had been deferred from FY2013 will now be brought back into the June quarter of 2013.

This staged ramp-up will also require the Koolan Island workforce to be increased by approximately 100 positions over the next nine months, at which point it is expected Koolan Island will be near its maximum required manning level for the next three years. Ramping up to a sustained mining rate of 4Mtpa with at least 100 fewer positions than existed prior to the optimisation and efficiency drive implemented at Koolan Island in late 2012 equates to permanent cost savings of at least \$17 million per year.

The first two months of the June quarter will see a focus on stripping as the operation looks to accelerate implementation of the new mine ramp up sequence. A low-cost rebuild of Koolan Island's primary crushing circuit will be undertaken during this period in preparation for the targeted higher production levels.

¹ Refer ASX announcement 18 March 2013

Work continues to target further cost efficiencies at Koolan Island, and has already identified substantial potential further savings in the order of \$7 million per annum.

Ore shipments from Koolan during the March quarter totalled 800,000 tonnes. Ore production reflected the short term mining schedule implemented in late 2012, and seasonal wet weather impacts. This trend will continue in the current quarter, with output ramping up in early 2013-14. At the end of the quarter, crushed DSO stockpiles totalled approximately 290,000 tonnes, and uncrushed DSO stockpiles totalled 60,000 tonnes.

Production and shipping statistics for Koolan Island in the March quarter are tabulated in Appendix A.

Mid West Operations

Mount Gibson's operations in the Mid West delivered a strong performance in the March quarter.

Strong rail availability was maintained during the period, with 1.3 million tonnes railed from the Company's Mid West mines to the Geraldton Port, consistent with tonnes railed in the preceding quarter.

Ore shipments from Geraldton during the quarter totalled 1.2 million tonnes, reflecting minor impacts from short term port congestion, scheduled port maintenance and inclement weather late in the quarter.

Extension Hill Hematite Mine

Shipping from Extension Hill for the quarter totalled 606,000 tonnes. Overall material movement continued to reduce as part of the expenditure reduction initiatives implemented last year, which have focused on increased utilisation of the substantial ore stockpiles built up due to infrastructure constraints in 2011-12.

The success of this approach was reflected in a substantial reduction in mine-site stockpiles during the quarter. At the end of March, approximately 95,000 tonnes of crushed finished product was stockpiled at the mine, 51% less than at the end of the December quarter. Uncrushed product stockpiled at the mine for crushing was approximately 700,000 tonnes, a reduction of 17% from the previous quarter. Stockpiles of crushed finished product at the Perenjori rail siding totalled approximately 529,000 tonnes, a small decrease from the previous quarter. Stockpiles of uncrushed low grade material at the mine totalled 1.6 million tonnes.

Production and shipping statistics for Extension Hill are tabulated in Appendix A.

Tallering Peak

Tallering Peak mine performed strongly during the March quarter with lower physical activity reflecting the implementation of the cost reduction initiatives announced in October 2012.

Site costs were reduced significantly, with total material movement reduced by 34% compared with the previous quarter. Further cost reductions were realised by efficient asset utilisation with the relocation of underutilised Koolan Island equipment and personnel to Tallering Peak.

Road and rail haulage tonnages increased by 7% and 15% respectively by drawing down existing ore stockpiles at the mine and the Mullewa rail siding. Shipping totalled 594,000 tonnes.

At the end of March, approximately 249,000 tonnes of crushed standard product were stockpiled at the mine, in addition to stockpiles of approximately 23,000 tonnes of uncrushed standard product. Uncrushed stocks of low grade ore at the mine totalled approximately 470,000 tonnes. At the Mullewa rail siding, stockpiles of crushed standard product totalled approximately 291,000 tonnes, while stockpiles of crushed low grade material totalled approximately 741,000 tonnes.

Production and shipping statistics for Tallering Peak are tabulated in Appendix A.

EXPLORATION AND RESOURCE DEVELOPMENT

Tallering Peak

The focus of exploration activity at Tallering Peak during the quarter was at the T1 prospect, approximately 1km north-east of the main T6 pit.

Following preliminary exploration activity by WMC in the 1960s and Kingstream in the 1990s, Mount Gibson conducted a detailed drill program from June to December 2012 to establish a DSO hematite resource.

During the quarter, Mount Gibson reported a maiden Indicated and Inferred Mineral Resource for the T1 deposit of 1.51 million tonnes grading 60.3% Fe.² Additional data comprising 13 RC drillholes have since been incorporated into the resource estimate for T1.

The updated Mineral Resource for T1 of 1.40 million tonnes at a grade of 60.4% Fe (refer Table 1), comprised of Indicated and Inferred Resources, has not materially changed from the previous estimate. All parameters and assumptions relating to the updated resource estimate for T1 remain unchanged from the previous estimate except for the maximum number of samples which was reduced to 25 to ensure that the local grade trends were accurately reproduced. The updated Indicated Mineral Resource stands at 1.33 million tonnes at 60.6% Fe. The reduction in the Inferred Resource tonnage is primarily due to the additional drilling closing off the mineralisation at the eastern end of the deposit 35 metres earlier than previously interpreted.

Ore Reserve estimation and detailed mine planning for the T1 deposit are well advanced and are expected to be completed in the June quarter of 2013.

Subject to the successful completion of this work, and timely receipt of all necessary approvals, Mount Gibson hopes to be in a position to establish an open pit and commence mining at the T1 deposit late in the second half of calendar year 2013.

Development of T1 has the potential to generate value-adding incremental sales for Mount Gibson Iron during FY2014.

Table 1: T1 Indicated and Inferred Mineral Resource

Resource Category	Tonnes (Mt)	Fe %	SiO ₂ %	Al ₂ O ₃ %	P %	LOI %	CaO %	K ₂ O %	MgO %	MnO %	S %	TiO ₂ %
Indicated	1.33	60.6	10.8	0.60	0.04	0.97	0.08	0.004	0.63	0.02	0.04	0.04
Inferred	0.08	56.9	19.2	0.32	0.07	-1.34	0.23	0.002	0.20	0.02	0.41	0.01
Total	1.40	60.4	11.3	0.58	0.04	0.85	0.09	0.003	0.61	0.02	0.06	0.04

Small discrepancies may occur due to the effects of rounding

Koolan Island

Koolan South

In late October, Mount Gibson was granted exploration licence EL 04/1407 on the mainland directly south of Koolan Island. The Koolan South tenement covers 230 square kilometres, and is considered prospective for iron ore and base metals. No substantial exploration has been undertaken in the area for more than 15 years.

A helicopter-supported field work program is scheduled to commence in the current quarter.

Extension Hill

Extension Hill South

Mount Gibson has completed a detailed review of past exploration data from the area immediately south of the Extension Hill open pit, which has confirmed a number of priority targets considered highly prospective for economic hematite mineralisation with the potential to extend the current mine life.

This review focused on historic data on the Iron Hill, Extension Hill South and Gibson Hill prospects in the Gibson Ranges on granted mining leases along strike from the Extension Hill Hematite Operation. Substantial exploration has been completed in the area from the 1960s to mid 2000s including two exploration adits and numerous drill holes. With the increased geological understanding gained from the nearby Extension Hill mine, and a comprehensive historical dataset, Mount Gibson is well placed to confirm the potential of the Extension Hill South area.

Mount Gibson is very excited by this opportunity and is accelerating work to attain the necessary regulatory approvals to secure access to these high priority target areas in order to confirm the past data and commence further exploration.

² Refer ASX announcement 19 March 2013

Field's Find

Technical due diligence for the proposed acquisition of a tenement package covering 250 square kilometres at Field's Find, 60 kilometres north of Extension Hill, was successfully completed during the March quarter.

Final transfer of the leases and settlement is anticipated to occur in the June quarter. Preliminary field work is targeted to commence later in the June quarter.

Other Activity

As part of Mount Gibson's longer term growth strategy, the Company continues to evaluate opportunities to complement its existing businesses. The near term focus of this evaluation process is on identifying suitable opportunities in the Mid West region, where its existing processing and infrastructure footprint gives the Company a strategic competitive advantage.

The Company also continues to assess broader long term growth opportunities in bulk carbon steel materials, focused on DSO iron ore and coking coal.

CORPORATE

On 19 February 2013, Mount Gibson released its interim financial results for the six months to 31 December 2012, reporting a net profit after tax of \$37.1 million on sales revenue of \$416.2 million.

The Company declared a fully franked interim dividend of 2 cents per share, totalling \$21.8 million, payable on 15 April 2013. Following this dividend, Mount Gibson will have returned \$108 million in fully franked dividends since distributing its maiden dividend in September 2011.

JIM BEYER

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15 April 2013

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Attribution

The information in this report that relates to Exploration Results is based on information compiled by Gregory Hudson, who is a member of the Australian Institute of Geoscientists. Gregory Hudson is an employee of Mount Gibson Iron Limited group, and has sufficient experience relevant to the styles of mineralisation and type of deposit under consideration and to the activity he is undertaking, to qualify as a Competent Person as defined in the December 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Gregory Hudson has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears. The information in this report relating to the Mineral Resource at T1 is based on information compiled by John Graindorge, who is a member of the Australasian Institute of Mining and Metallurgy (MAusIMM) and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity to which he is undertaking to qualify as a Competent Person as defined in the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". John Graindorge is a full-time employee of Snowden Mining Industry Consultants Pty Ltd, and has consented to the inclusion of the matters in this report based on his information in the form and context in which it appears.

APPENDIX A

Quarterly Operating Statistics by Site

	June Qtr 2011-12	September Qtr 2012-13	December Qtr 2012-13	March Qtr 2011-12-13	Total 2012-13
KOOLAN ISLAND	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing					
Waste mined	5,306	5,373	2,668	1,260	9,301
Ore mined	964	555	707	460	1,722
Ore crushed	981	793	913	747	2,453
Shipping					
Lump	143	151	364	217	732
Fines	370	635	651	435	1,721
Rizhao Special Product (RSP)	0	0	283	148	431
Total	513	786	1,298	800	2,884
TALLERING PEAK	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing					
Waste mined	3,692	3,076	1,387	820	5,283
Ore mined	532	558	627	517	1,702
Ore crushed	525	504	672	628	1,805
Shipping					
Lump	119	275*	592	353	1,220
Fines	178	113	178	241	532
Total	297	388	771	594	1,753
EXTENSION HILL	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing					
Waste mined	1,189	927	595	677	2,199
Ore mined	717	530	589	320	1,439
Ore crushed	570	633	665	502	1,800
Shipping					
Lump	234	469	361	180	1,010
Fines	114	116	239	426	781
Total	348	585	600	606	1,791
CONSOLIDATED DATA	(kwmt)	(kwmt)	(kwmt)	(kwmt)	(kwmt)
Mining & Crushing					
Total waste mined	10,187	9,376	4,650	2,757	16,783
Total ore mined	2,213	1,643	1,923	1,297	4,863
Total ore crushed	2,076	1,930	2,250	1,877	6,058
Shipping					
Lump	496	895	1,317	750	2,962
Fines	662	864	1,068	1,102	3,034
RSP	0	0	283	148	431
Total	1,158	1,759	2,668	2,000	6,427

(kwmt) = thousand wet metric tonnes
 *includes the sale of 115 kwmt of lower grade DSO lump in the September quarter of 2012.